

DE 02-224

CONNECTICUT VALLEY ELECTRIC COMPANY

Petition for Renewal of
Existing \$3.75 Million Long-Term Financing and
Issuance of New \$1.25 Million Line of Credit Facility

Order Nisi Approving Petition

O R D E R N O. 24,143

March 17, 2003

The petitioner, Connecticut Valley Electric Company (CVEC), filed a petition with the New Hampshire Public Utilities Commission (Commission) on December 17, 2002 seeking approval pursuant to RSA 369:1 of certain debt-related financial transactions. Specifically, CVEC seeks authority to renew an existing and previously approved \$3.75 million promissory note held by its parent company, Central Vermont Public Service Corporation (CVPS) as well as the authority to obtain a new \$1.25 million line of credit with CVPS. The petition noted that the promissory note expired on December 27, 2002 and indicated that CVEC would maintain the status quo pending the Commission's decision.

Appended to the petition was the pre-filed direct testimony of Alf R. Strom-Olsen, Director of Treasury Services with CVPS. Mr. Strom-Olsen testified that the new line of credit would be used to meet CVEC's short-term capital needs "as well as a means to manage CVEC's capital structure." According to Mr. Strom-Olsen, CVEC's short-term capital needs consist principally

of payments due from CVEC to CVPS pursuant to CVEC's wholesale power supply and service contracts with CVPS. He further stated that providing for CVEC's short-term capital needs "may include CVEC paying dividends to its parent."

With regard to the promissory note, Mr. Strom-Olsen testified that CVEC is seeking to implement a slightly higher interest rate with the renewal. According to Mr. Strom-Olsen, the current rate is a floating rate equal to the New York prime rate as published in *The Wall Street Journal*, as it is adjusted each December 27. The proposed rate would also be a floating rate equal to the New York prime rate as it is adjusted each December 27, plus 45 basis points. This is also the proposed rate for the new letter of credit. Mr. Strom-Olsen testified that this rate is consistent with, or less than, the rate CVEC could obtain in the commercial banking market.

Mr. Strom-Olsen indicated that the transactions would also require the approval of the Federal Energy Regulatory Commission (FERC) and would involve estimated costs of less than \$500.

Subsequent to the filing of its petition, CVEC responded to certain data requests made by Commission Staff (Staff). By letter to Staff counsel dated February 12, 2003, CVEC indicated that it was withdrawing its request for authority to use proceeds from the proposed line of credit for the purpose

of paying dividends to its parent company. Staff recommends approval of the petition as amended by CVEC's February 12 letter. In its memo of March 13, 2003, Staff indicates that even with the additional 45 basis points, the new overall interest rate of this financing is lower than the interest rate under the current financing.

RSA 369:1 provides that a public utility may issue securities and other evidences of indebtedness payable more than 12 months after the date thereof only upon a determination by the Commission that such indebtedness is consistent with the public good. Based upon the representations in the petition and Staff's analysis and recommendation, we determine, on a *nisi* basis, that the renewal of the existing line of credit and the opening of the new line of credit is consistent with the public good. The proposed indebtedness makes funds available to CVEC at a reasonable interest rate that will allow the Company to avoid incurring late charges or interest charges payable to CVPS under their existing contractual wholesale power and service arrangements.

Based upon the foregoing, it is hereby

ORDERED NISI, that subject to the effective date below, the petition of Connecticut Valley Electric Company for authority to renew its existing \$3.75 million long-term financing and to obtain a new \$1.25 million credit facility is APPROVED, subject

to the condition that any funds obtained thereby shall not be used by CVEC to pay dividends to its parent company; and it is

FURTHER ORDERED, that the Petitioner shall cause a copy of this Order Nisi to be published once in a statewide newspaper of general circulation or of circulation in those portions of the state where operations are conducted, such publication to be no later than March 27, 2003 and to be documented by affidavit filed with this office on or before April 10, 2003; and it is

FURTHER ORDERED, that all persons interested in responding to this petition be notified that they may submit their comments or file a written request for a hearing on this matter before the Commission no later than April 3, 2003; and it is

FURTHER ORDERED, that any party interested in responding to such comments or request for hearing shall do so no later than April 10, 2003; and it is

FURTHER ORDERED, that this Order Nisi shall be effective April 14, 2003, unless the Petitioner fails to satisfy the publication obligation set forth above or the Commission provides otherwise in a supplemental order issued prior to the effective date.

By order of the Public Utilities Commission of New
Hampshire this seventeenth day of March, 2003.

Thomas B. Getz
Chairman

Susan S. Geiger
Commissioner

Nancy Brockway
Commissioner

Attested by:

Debra A. Howland
Executive Director & Secretary